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C O N F I D E N T I A L SECTION 01 OF 03 CHIANG MAI 000130

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SUBJECT: SHAN STATE UPDATE: BURMA ARMY COULD TARGET SHAN FIGHTERS
NEXT

REF: A. Rangoon 575 (Kokang Update)
[1](#)B. Rangoon 573 (Peace in Kokang Region)
[1](#)C. Rangoon 567 (Kokang Situation Tense)
[1](#)D. Embassy Bangkok August 28 O/I

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CLASSIFIED BY: Alex Barrasso, Chief, Pol/Econ, CG Chiang Mai.
REASON: 1.4 (b), (d)

Summary and Comment

[1](#)1. (C) Several ethnic Wa troops reportedly supported the Kokang in the latter's fighting against the Burma Army (BA) August 27-29, according to a knowledgeable expatriate source based in Chiang Mai. The fighting displaced approximately 50,000 people, according to his sources. Our contact also said the Shan State Army-South (SSA-S) is preparing itself for what it sees as imminent combat with the Burma Army, and is expecting Wa troops based in southern Shan State to support them against the BA. Though our source believes the Wa in northern Shan State are safe from attack at this time, he made it clear northern Wa leaders have told him they will not shy away from a fight if the Burma Army encroaches on "one centimeter" of their territory.

[1](#)2. (C) Comment: If these predictions regarding conflict in southern Shan State materialize, thousands of IDPs are likely to seek refuge in Thailand, entering through Chiang Mai and Chiang Rai Provinces. Few camp-like sites suitable for housing refugees exist in these provinces. Although there is space available at the Site 1 camp in Mae Hong Son Province, that camp is predominantly Karenni, and an influx of Shan would likely cause tensions.

[1](#)3. (C) Comment Cont.: Embassy Rangoon's sources have been unable to confirm that ethnic Wa troops participated in the fighting between the Burma Army and Kokang. Any combat between

the Wa and BA would have serious consequences. Embassy Rangoon also notes the figure of 50,000 people displaced by the late August fighting seems high, and has not been corroborated by its contacts. Embassy Rangoon reports the United Wa State Army (UWSA) has reinforced its troops near the Nam Tit/ Chin Shwe Haw border crossing area in Special Region Number Two in response to Burma Army troop reinforcements in that region. However, no fighting has occurred there. End Summary and Comment.

It Wasn't Just the Kokang

¶4. (C) According to our contact, tensions between the Kokang and Burmese security forces rose to a fever pitch on August 8 when the Kokang's Myanmar National Democratic Alliance Army (MNDAA) prevented a mixed unit of police and Burma Army troops from raiding the home of its Chairman, Peng Jiasheng, a known drug trafficker, where they expected to find weapons and narcotics. The Kokang also took dozens of police officers hostage, subsequently executing 12 at point-blank range. Affronted by this incident, the Burma Army (BA) responded by attacking the MNDAA on August 26. The ensuing engagements, the heaviest of which took place August 27-29, included ethnic Wa fighters dressed in Kokang uniforms and taking up arms against the BA, he said.

¶5. (C) Casualties on the Wa side were high, according to our contact; 17 fatalities with some 30 injured. However, he put the number of BA casualties much higher -- anywhere from 100-200

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-- due to the fortifications of the Kokang positions, BA unfamiliarity with the rugged terrain, and the use of anti-tank/anti-personnel mines by the Wa and Kokang. Although China initially sealed the border area, it was eventually opened, and some 30,000 refugees crossed, according to his sources. An additional 20,000 IDPs crossed into Wa territory and the Shan State capital Lashio, he asserted. He corroborated reports that some IDPs have returned, but admitted he did not have a good handle on precisely how many.

¶6. (C) Our contact asserted that this heavy-handed response on the part of the BA was somewhat surprising. When Burmese General Maung Aye traveled to China earlier this summer, the Chinese made it clear that Burma had to tread lightly when operating against ethnic groups along the China border. Beijing, he said, was concerned that 1) refugees would cross into China and 2) oppression of their ethnic brethren might spark uprisings among ethnic minority populations residing in areas of China across from Kokang and Wa territory. (Comment: Embassy Rangoon notes that Maung Aye is not favorably disposed toward China, and has been leading the fight against ethnic insurgencies for years. These factors, when combined with Kokang involvement in the drug trade and the execution of Burmese police, provide plenty of motivation for the late August fighting.)

The SSA-S May Be Next

¶17. (C) On September 2, SSA-S leaders told our contact they expected the BA would attack them and the "southern" Wa in the near future. (Comment: It is unclear whether this attack would be qualitatively different from the constant engagements between the SSA-S and BA, i.e. perhaps an attempt to eliminate the SSA-S altogether.) They reported that some 5,000 BA troops have moved into the area along the border between Shan State and Thailand, and that General Maung Aye traveled to Keng Tung on August 23 for discussions with BA troop commanders. They also reported that per its standard practice, the BA is "absorbing" militia units into its ranks, and preparing to issue these fighters weapons. Separately, the Thai press has begun to speculate about the BA's next move and the refugee flows that would result from new fighting, with some publications stating that the UWSA will be the BA's next target.

¶18. (C) Our contact estimated southern Wa and SSA-S strength in the area at 4,000 troops, adding that they were well-armed, had fortified their defenses, and were holding positions on high ground that would give them the advantage over attacking troops coming from lower elevation areas. (Comment: Embassy Rangoon cannot verify this figure.) He predicted that if fighting takes place, some 50,000 individuals would be displaced, many of whom would likely flee to Thailand. According to his Thai intelligence contacts, Provincial governments in Chiang Mai and Chiang Rai have begun making initial preparations to deal with a potential influx of refugees.

¶19. (C) Fighting in southern Shan State could last for months, he opined. However, the northern Wa would be unable to assist in the south, he asserted, noting that a lack of passable roads and a limited number of routes would make it relatively easy for the BA to cut northern Wa territory off from southern Shan State. Northern Wa leaders told him they were prepared to sit tight if fighting in the south broke out, but that they would fight if the BA encroached on northern Wa territory.

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¶10. (U) This cable was coordinated with Embassies Rangoon and Bangkok.
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